Indiana Department of Revenue

News Release

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2003 Indiana Property Tax Deduction Delayed Until 2004 for Some Homeowners

Due to the restructuring of property taxes in Indiana, many counties have not yet mailed their property tax statements. This, in turn, raises the question for Hoosier homeowners of whether they are eligible to claim the Indiana Homeowners Residential Property Tax Deduction on their 2003 Indiana Individual Income Tax returns.

The bottom line is that homeowners may deduct on their 2003 state tax returns only those property taxes that have been paid to their counties during 2003 – up to the $2,500 maximum allowed for 2003.

Legislation recently passed by the Indiana General Assembly WILL allow homeowners to deduct 2003 taxes paid in 2004 on their 2004 tax returns, along with their 2004 taxes paid that year – up to $2,500 for each year, for a total maximum deduction in 2004 of $5,000. This $5,000 maximum deduction (for property taxes paid in calendar year 2004) will apply only to the Indiana Individual Income Tax return filed in 2005.

Homeowners whose 2003 property taxes were included in their mortgage company payments in 2003 may NOT deduct those taxes until 2004, since the mortgage company will not get -- nor pay – your property tax bill until sometime in 2004.

If homeowners or their mortgage companies have not received and paid their property tax bills for 2003, or if they have received their tax bills but have not paid the taxes by December 31, 2003, then they can NOT deduct those taxes on their 2003 Indiana Individual Income Tax returns.

Following are some typical scenarios Hoosier homeowners might encounter.

Scenario 1: <u>Both 2003 and 2004 taxes paid in 2004</u>
You pay your 2003 property taxes in February 2004 and your 2004 property taxes in May and November of 2004. When filing your 2004 state tax return, you will be able to claim up to $2,500 of your 2003 property taxes paid, plus up to $2,500 of your 2004 property taxes paid, for a potential total of up to $5,000 in deductions for taxes paid for 2003 and 2004 on your 2004 state tax return.

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Again, If no tax has been paid to your county in 2003, you may not claim a property tax deduction on your 2003 state tax return.

Scenario 2: Mortgage company payments
You have paid your 2003 property taxes to your mortgage company in your monthly mortgage payments throughout 2003. However, your mortgage company will not get -- nor pay – your property tax bill until sometime in 2004. In this case, you are NOT eligible for the Indiana Homeowners Residential Property Tax Deduction in 2003 but may claim it on your 2004 state income tax return, the year your mortgage company pays the tax to your county.

Scenario 3: Estimated payments
You have not received your property tax bill but have paid an estimated property tax assessment in 2003. In this case, you may claim all estimated tax that has been paid in 2003 -- up to the $2,500 limitation. If your 2003 taxes are greater than $2,500 and you pay $2,500 or more in estimated 2003 taxes in 2003, you will not be able to deduct any future 2003 taxes paid in 2004.

Scenario 4: Protested assessments
You have not yet paid any 2003 property tax and are protesting your assessment. In this case, you may NOT take the homeowner's property tax deduction for 2003 on your 2003 state tax return.

Scenario 5: Extension of time to pay
You have paid only half of your property tax assessment and have an extension of time to pay the other portion. In this case, you may NOT deduct the full year's assessment – only the portion paid in 2003. Again, the $2,500 maximum deduction per tax assessed year is effective, no matter in which year the taxes are paid.

If homeowners have questions regarding the deduction, they may either call the Indiana Department of Revenue's Taxpayer Services Division at (317) 232-2240, or e-mail questions to tartis@dor.state.in.us.